

**STATEMENT OF CONGRESSMAN DANNY K. DAVIS AT THE  
SUBCOMMITTEE ON FEDERAL WORKFORCE AND  
AGENCY ORGANIZATION  
ON HEALTH INFORMATION TECHNOLOGY**

**Wednesday, July 27, 2005**

Chairman Porter, I want to thank you for holding this hearing today. It gives us the opportunity to discuss the impact of the President's Fiscal-Year 2007 Budget on federal workers, as well as the ongoing efforts to implement personnel flexibilities throughout the government.

The President's budget proposes equal pay adjustments: a 2.2% pay raise for the armed services and the federal civilian workforce. The proposed 2.2% pay raise is markedly lower than the raises Congress has enacted for the past several years. Federal pay raises have averaged more than 3% since 1999. Additionally, Section 836(a) in the Appendix of the President's budget proposes that, in addition to annual and locality payments, the 2.2% pay raise should include special rate pay.

Federal white-collar employees receive an annual pay adjustment and a locality-based comparability payment in January of each year. Under the Administration's plan, a special pay adjustment, which would go only to employees in hard-to-fill jobs or locations, would be included in the pay formula. Currently, federal agencies must fund higher pay rates for hard-to-fill jobs from their existing personnel budgets, rather than from the overall pay raise that Congress approves each year. This action, if taken, would diminish the amount of money available for annual and locality pay adjustments.

The President's budget also proposes \$3.4 billion in savings from FEHBP over the next ten years. The savings reflects a change in the FEHB statute that would allow the governmentwide fee-for-service-plan offered by Blue Cross Blue Shield the ability to offer more than two levels of benefits.

One likely result of expanding the governmentwide plan to allow for three levels of benefits is that the governmentwide plan would include a high-deductible health plan (HDHP) that is coupled with tax-advantaged health savings accounts (HSAs). In 2005, the FEHBP began offering such HDHP options in employee-organization sponsored plans and comprehensive medical plans, which are not governmentwide. The Government Accountability Office (GAO) recently issued a report, evaluating the experience of the 14 FEHBP HDHPs in the FEHBP. The report's findings suggest that Congress should proceed with caution and not expand the use of HDHP's until the impact on FEHBP is better understood.

Finally, the Administration continues its call to grant all agencies the personnel flexibilities received by the Department of Homeland Security (DHS) and the Department of Defense (DOD) in 2002 and 2003, respectively. There are serious concerns regarding the extension of these flexibilities throughout the federal government. One of the main concerns regarding the extension of these personnel flexibilities is that to date there is insufficient basis for assessing their effectiveness. The personnel flexibilities granted to DHS and DOD are being challenged in the courts, thereby delaying the implementation and evaluation of these new systems. It is therefore impossible for Congress to measure and to evaluate their impact on the workforce and to understand the costs associated with the design, implementation, and training related to these new systems.

I have serious concerns about the Administration's recommendations and look forward to Director Springer addressing them.